Missouri Housing Development Commission

Accountants' Report and Financial Statements

June 30, 2010 and 2009

Missouri Housing Development Commission
June 30, 2010 and 2009

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

The Commissioners
Missouri Housing Development Commission
Kansas City, Missouri

We have audited the accompanying balance sheets of Missouri Housing Development Commission (the "Commission") as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2010 and 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 27, 2010

Missouri Housing Development Commission
Management's Discussion and Analysis
June 30, 2010 and 2009

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2010 and June 30, 2009. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction – Missouri Housing Development Commission

The Missouri Housing Development Commission (the "Commission") was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri. The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission sells tax-exempt and taxable bonds and notes, for the purposes of financing owner-occupied residential mortgage loans for lower- and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower- and moderate-income persons. The Commission's net assets are also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the federal and state housing tax credits for the state of Missouri. The Commission also administers contracts for the Project Based Section 8 program, which provides rental subsidies from federal funds, on a fee basis.

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

2010 Financial Highlights

- Total assets were $2.44 billion, an increase of 5.6% from June 30, 2009.
- Fiscal year 2010 mortgage investment purchases and originations totaled $287.5 million as compared to $126.9 million in fiscal year 2009.
- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $438.9 million in fiscal year 2010 and totaled $115.0 million in fiscal year 2009. $420.0 million of the bonds issued in fiscal year 2010 and $115.0 million in fiscal year 2009 were rated AAA by Standard & Poor's Rating Services.
- Total revenues were $327.2 million in fiscal year 2010, an increase of 13.9% from fiscal year 2009. Excluding the net change in fair value of investments, total revenues were $276.1 million in fiscal year 2010, representing an increase of 13.9%. Revenues from federal programs were $166.5 million in fiscal year 2010 as compared to $125.0 million in fiscal year 2009. Fiscal year 2010 federal programs include $32.9 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009.

- Net operating income, excluding the net change in fair value of investments, was $36.1 million in fiscal year 2010 as compared to $25.9 million in fiscal year 2009.

- Net assets increased $87.2 million (15.7%) as of June 30, 2010. Excluding the change in fair value of investments, net assets increased $30.2 million (5.7%) as of June 30, 2010.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

2009 Financial Highlights

- Total assets were $2.31 billion, an increase of 1.6% from June 30, 2008.

- Fiscal year 2009 mortgage investment purchases and originations totaled $126.9 million as compared to $347.1 million in fiscal year 2008.

- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $115.0 million in fiscal year 2009 and totaled $180.2 million in fiscal year 2008. $115.0 million of the bonds issued in fiscal year 2009 and $166.0 million in fiscal year 2008 were rated AAA by Standard & Poor's Rating Services.

- Total revenues were $287.2 million in fiscal year 2009, an increase of 8.2% from fiscal year 2008. Excluding the net change in fair value of investments, total revenues were $242.4 million in fiscal year 2009, representing an increase of 1.3%.

- Net operating income, excluding the net change in fair value of investments, was $25.9 million in fiscal year 2009 as compared to $24.7 million in fiscal year 2008.

- Net assets increased $70.8 million (14.6%) as of June 30, 2009. Excluding the change in fair value of investments, net assets increased $21.1 million (4.1%) as of June 30, 2009.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

Missouri Housing Development Commission

Management's Discussion and Analysis

June 30, 2010 and 2009

Financial Position

The following table summarizes the Commission's current, restricted and noncurrent assets and liabilities and displays restricted and unrestricted net assets as of June 30, 2010, June 30, 2009, and June 30, 2008.

Condensed Financial Information
Assets, Liabilities and Net Assets (In Thousands)

	June 30,			$ change	
	2010	2009	2008	2010 vs 2009	2009 vs 2008
Assets					
Current assets	$ 53,705	$ 58,024	$ 40,701	$ (4,319)	$ 17,323
Restricted investments	188,580	250,475	237,829	(61,895)	12,646
Restricted mortgage investments	1,661,563	1,655,786	1,711,254	5,777	(55,468)
Other restricted assets	312,722	137,893	70,611	174,829	67,282
Capital assets	1,427	1,214	771	213	443
Other	221,081	206,999	214,002	14,082	(7,003)
Total assets	$ 2,439,078	$ 2,310,391	$ 2,275,168	$ 128,687	$ 35,223
Liabilities					
Current liabilities	$ 10,304	$ 3,274	$ 2,184	$ 7,030	$ 1,090
Current liabilities – payable from restricted assets	133,296	180,177	174,101	(46,881)	6,076
Long-term bonds payable	1,643,843	1,563,117	1,606,891	80,726	(43,774)
Other	9,162	8,507	7,441	655	1,066
Total liabilities	$ 1,796,605	$ 1,755,075	$ 1,790,617	$ 41,530	$ (35,542)
Net Assets					
Invested in capital assets	$ 1,427	$ 1,214	$ 771	$ 213	$ 443
Restricted	381,612	279,665	219,566	101,947	60,099
Unrestricted	259,434	274,437	264,214	(15,003)	10,223
Total net assets	$ 642,473	$ 555,316	$ 484,551	$ 87,157	$ 70,765

Investments

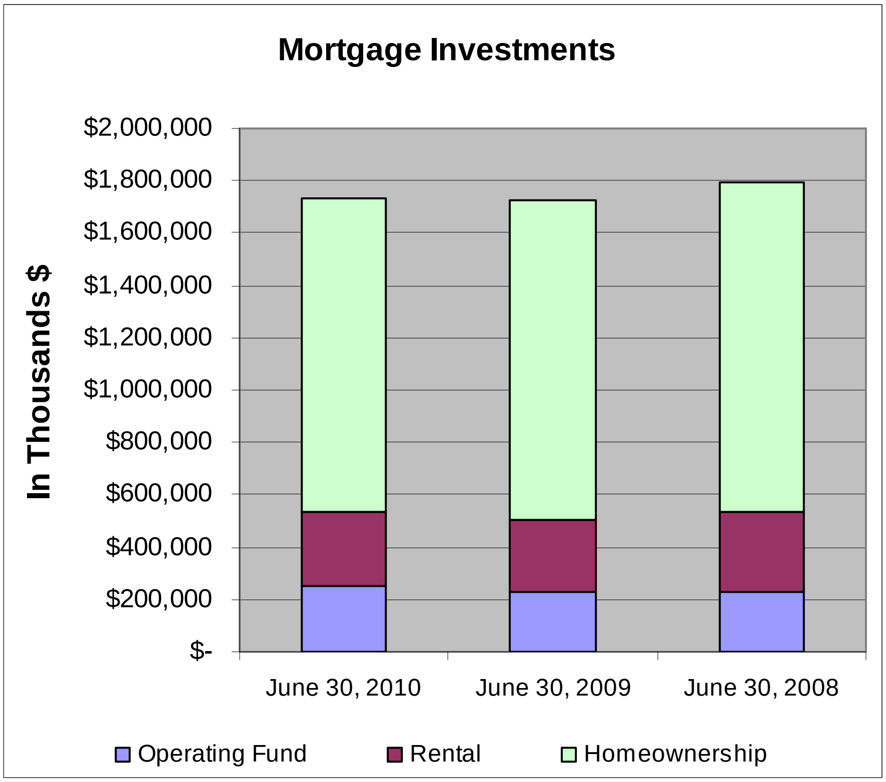
Investments consist of collateralized certificates of deposit, U.S. government and agency fixed rate securities, guaranteed investment agreement contracts and repurchase agreements. The Commission's investment policy emphasizes preservation of principal. At June 30, 2010, the Commission had $368.5 million in investments as compared to $425.5 million at June 30, 2009, and $385.0 million at June 30, 2008.

Mortgage Investments

The Commission's mortgage investments increased 0.5% during fiscal year 2010 and decreased 3.8% during fiscal year 2009. Mortgage investments comprise 71.1% of the Commission's total assets at June 30, 2010, as compared to 74.8% at June 30, 2009, and 78.9% at June 30, 2008. GNMA, Fannie Mae and FHLMC mortgage-backed securities (MBS) comprise 69.6% of the Commission's mortgage investments at June 30, 2010, compared to 71.0% at June 30, 2009, and 70.3% at June 30, 2008. In fiscal year 2010 new loans totaled $287.5 million, with prepayment activity and change in fair value resulting in a net increase of $8.0 million in the mortgage investment portfolio as reported. In fiscal year 2009 new loans totaled $126.9 million, with prepayment activity and change in fair value resulting in a net decrease of $67.5 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed rental loan portfolio backed by FHA insurance including Risk-Share loans. The Commission's loan loss reserve is 2.5% of total mortgage investments at June 30, 2010 (2.5% at June 30, 2009, and 2.4% at June 30, 2008), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

Missouri Housing Development Commission
Management's Discussion and Analysis
June 30, 2010 and 2009

The mix of mortgage investments among operating fund loans, rental and homeownership bond-financed programs at June 30, 2010, June 30, 2009, and June 30, 2008, is depicted in the following chart:



The Commission's operating fund mortgage investments as reported are comprised of mortgage-backed securities and loans financed with fund balances (net assets) totaling $100.9 million at June 30, 2010, as compared to $95.9 million at June 30, 2009, and $107.2 million at June 30, 2008. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling $138.2 million at June 30, 2010, as compared to $130.7 million at June 30, 2009, and $124.9 million at June 30, 2008. In addition, the operating fund loans at June 30, 2010, include $11.4 million in loans financed by the federal Tax Credit Assistance Program (TCAP). The Commission's rental loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in fifty percent of the insured risk. These loans totaled $173.9 million at June 30, 2010, $157.7 million at June 30, 2009, and $161.7 million at June 30, 2008. The Commission's rental loan portfolio also includes conduit loans, which totaled $99.2 million at June 30, 2010, $104.3 million at June 30, 2009, and $121.4 million at June 30, 2008. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

Debt

At June 30, 2010, the Commission had $1.67 billion in bonds and notes outstanding as compared to $1.65 billion outstanding at June 30, 2009, and $1.69 billion at June 30, 2008.

During fiscal year 2010, new debt resulted from issuance of six series of homeownership mortgage revenue bonds, which totaled $420 million, and one multifamily bond issue totaling $18.9 million. The overall net increase in debt during fiscal year 2010 resulted from current year issuances that exceeded principal payments and redemptions. Debt issuances during fiscal year 2010 included $260.0 million of the Treasury New Issue Bond Program (NIBP) bonds and $40.0 million of NIBP Market Rate bonds. During fiscal year 2009, new debt resulted from the issuance of three series of homeownership mortgage revenue bonds, which totaled $115.0 million. The overall net decrease in debt during fiscal year 2009 resulted from the principal payments and redemptions that exceeded the current year issuances. For additional information, see *Note 5*, Long-Term Liabilities, in the Notes to Financial Statements.

Net Assets

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net assets as compared to total assets) was 24.9% at June 30, 2010, as compared to 24.4% at June 30, 2009, and 23.4% at June 30, 2008. Excluding unrealized gains and losses, net assets were $561.6 million at June 30, 2010, $531.4 million at June 30, 2009, and $510.3 million at June 30, 2008, representing growth of 5.7% in fiscal year 2010, growth of 4.1% in fiscal year 2009 and growth of 5.4% in fiscal year 2008. A significant portion of the Commission's net assets are restricted by bond indenture, grant agreements and other legal requirements.

Operating Activities

The following table summarizes the Commission's revenues, expenses and changes in net assets for fiscal years 2010, 2009 and 2008.

Condensed Financial Information
Revenues, Expenses and Changes in Net Assets (In Thousands)

				$ change	
	2010	2009	2008	2010 vs 2009	2009 vs 2008
Operating Revenues					
Interest and investment income	$ 140,729	$ 145,355	$ 127,994	$ (4,626)	$ 17,361
Grants and federal assistance	166,525	125,043	120,811	41,482	4,232
Other	19,905	16,837	16,566	3,068	271
Total operating revenues	327,159	287,235	265,371	39,924	21,864
Operating Expenses					
Interest expense	70,847	77,509	78,792	(6,662)	(1,283)
Compensation and administrative	13,553	12,814	11,949	739	865
Grants and federal assistance	146,471	119,887	116,727	26,584	3,160
Other	9,131	6,260	7,043	2,871	(783)
Total operating expenses	240,002	216,470	214,511	23,532	1,959
Change in Net Assets	$ 87,157	$ 70,765	$ 50,860	$ 16,392	$ 19,905

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2010, overall revenues increased due, primarily, to federal assistance revenue. Interest and investment income decreased $4.6 million in fiscal year 2010 primarily due to lower reinvestment rates and the decrease in portfolio level due to prepayments and moderate production. During fiscal year 2009, overall revenues increased due, primarily, to fair value adjustments. Interest and investment income increased $17.4 million in fiscal year 2009 primarily due to the increase in fair value of investments. Excluding the effects of fair value reporting, the change in net assets was an increase of $30.2 million in fiscal year 2010, $21.1 million in fiscal year 2009 and $24.7 million in fiscal year 2008, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting and conduit bond-financed assets, were 5.5% and 1.4%, respectively, for fiscal year 2010. This compares to 4.0% and 1.0%, respectively, for fiscal year 2009.

Revenues

Interest and investment income totaled $140.7 million in fiscal year 2010 as compared to $145.4 million in fiscal year 2009 (a decrease of 3.2% in fiscal year 2010) and as compared to $128.0 million in fiscal year 2008 (an increase of 13.6% in fiscal year 2009). This income includes a fair value increase of $51.1 million in fiscal year 2010, a fair value increase of $44.9 million in fiscal year 2009 and a fair value increase of $26.2 million in fiscal year 2008. During fiscal year 2010 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 10.8% in fiscal year 2010, reflecting the decrease in the Commission's mortgage investment asset base and decreases in interest rates and earnings as compared to the prior year. During fiscal year 2009 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 1.3% in fiscal year 2009, reflecting the decrease in the Commission's asset base and decrease in interest rates and earnings compared to the prior year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

Grants and Federal Assistance

Federal and state grant program revenues and expenses represent activity related to projects funded by the U.S. Department of Housing and Urban Development (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled $166.5 million in fiscal year 2010 as compared to $125.0 million in fiscal year 2009 and $120.8 million in fiscal year 2008 while expenses incurred were $146.5 million in fiscal year 2010, $119.9 million in fiscal year 2009 and $116.7 million in fiscal year 2008. The fiscal year 2010 increase was primarily due to federal TCAP and Tax Credit Replacement (TCR) funding. These federal stimulus programs provided by the American Recovery and Reinvestment Act of 2009 totaled $32.9 million in revenue in fiscal year 2010. The fiscal year 2009 increase is primarily due to increased Section 8 Contract Administration rental assistance payments and HOME Investment Partnership payments. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to make the most of federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Missourians.

Expenses

Interest costs were $70.8 million for fiscal year 2010 as compared to $77.5 million for fiscal year 2009 (a decrease of 8.6% in fiscal year 2010) and $78.8 million for fiscal year 2008 (a decrease of 1.6% in fiscal year 2009). The fiscal year 2010 decrease is primarily attributable to the decrease in the rates on newer debt issues, particularly the low short-term interest rates on the NIBP Program Bonds. The fiscal year 2009 decrease is primarily attributable to the overall decrease in the level of debt outstanding and some decrease in the rates on newer debt issues.

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled $13.6 million in fiscal year 2010 ($12.8 million in fiscal year 2009 and $11.9 million in fiscal year 2008). Excluding the net change in the fair value of investments, these costs represented 4.9% of revenues in fiscal year 2010 as compared to 5.3% of revenues in fiscal year 2009 and 5.0% of revenues in fiscal year 2008.

Contacting MHDC's Financial Management

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact the Director of Finance at the Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri, 64111 or visit the Commission's website at www.mhdc.com.

Missouri Housing Development Commission

Balance Sheets

June 30, 2010 and 2009

(In Thousands)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	$ 16,368	$ 15,723
Investments	27,144	31,864
Mortgage investments	5,403	7,777
Accrued interest receivable	1,849	1,989
Real estate owned	2,051	-
Accounts receivable – other	783	636
Prepaid expenses	107	35
Total current assets	53,705	58,024
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	294,822	118,376
Investments	188,580	250,475
Mortgage investments	1,661,563	1,655,786
Accrued interest receivable	7,098	7,907
Deferred financing charges	10,802	11,610
Total restricted assets	2,162,865	2,044,154
Investments	152,731	143,202
Mortgage investments, net of current portion and allowances for loan losses of $44,100 and $42,768 at June 30, 2010 and 2009, respectively	68,350	63,797
Capital assets, less accumulated depreciation of $2,386 and $1,942 at June 30, 2010 and 2009, respectively	1,427	1,214
Total noncurrent assets	2,385,373	2,252,367
Total assets	$ 2,439,078	$ 2,310,391

See Notes to Financial Statements

Liabilities and Net Assets

	2010	2009
Current Liabilities		
Bonds and notes payable	$ 6,978	$ 1,132
Accounts payable	2,262	1,162
Deferred revenue	1,064	980
Total current liabilities	10,304	3,274
Current Liabilities – Payable From Restricted Assets		
Bonds and notes payable	22,567	82,717
Accrued interest payable	22,245	26,069
Escrow deposits	87,179	70,143
Rent subsidies and other payables	335	519
Accounts payable	970	729
Total current liabilities – payable from restricted assets	133,296	180,177
Noncurrent Liabilities		
Bonds and notes payable	128	500
Deferred revenue	9,162	8,507
Payable from restricted assets		
Bonds and notes payable	1,643,715	1,562,617
Total noncurrent liabilities	1,653,005	1,571,624
Total liabilities	1,796,605	1,755,075
Net Assets		
Invested in capital assets	1,427	1,214
Restricted	381,612	279,665
Unrestricted	259,434	274,437
Total net assets	642,473	555,316
Total liabilities and net assets	$ 2,439,078	$ 2,310,391

Missouri Housing Development Commission

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2010 and 2009

(In Thousands)

	2010	2009
Operating Revenues		
Interest and investment income		
Income – mortgage investments	$ 80,591	$ 87,558
Income – investments	9,064	12,913
Net increase in fair value of investments	51,074	44,884
Total interest and investment income	140,729	145,355
Administration fees	7,025	7,042
Other income	12,880	9,795
Federal program income	166,525	125,043
Total operating revenues	327,159	287,235
Operating Expenses		
Interest expense on bonds	70,847	77,509
Bond debt expense	446	351
Compensation	9,163	8,780
General and administrative expenses	4,390	4,034
Provision for loan and real estate owned losses	1,358	-
Rent and other subsidy payments	3,242	1,402
Housing Trust Fund grants	4,085	4,507
Federal program expenses	146,471	119,887
Total operating expenses	240,002	216,470
Change in Net Assets	87,157	70,765
Net Assets, Beginning of Year	555,316	484,551
Net Assets, End of Year	$ 642,473	$ 555,316

Missouri Housing Development Commission

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(In Thousands)

	2010	2009
Cash Flows From Operating Activities		
Interest received on mortgage investments	$ 80,771	$ 92,136
Fees, charges and other	18,023	14,850
Principal repayments on mortgage loans	326,390	232,431
Disbursements of mortgage loans	(287,497)	(126,875)
Federal revenue	166,525	125,043
Federal expenses	(146,471)	(119,887)
Collection of compliance and origination fees	2,522	2,924
Cash payments for compensation, administrative and other costs	(9,163)	(8,780)
Other operating payments	(10,660)	(9,922)
Net cash provided by operating activities	140,440	201,920
Cash Flows From Noncapital Financing Activities		
Retirement of principal on bonds	(495,969)	(211,276)
Proceeds from issuance of bonds	532,521	175,777
Interest paid on bonds	(81,601)	(82,249)
Deferred financing charges paid	(2,561)	(1,089)
Change in escrow deposits	17,246	5,212
Net cash used in noncapital financing activities	(30,364)	(113,625)
Cash Flows Used In Capital and Related Financing Activities		
Payments for capital assets	(488)	(822)
Cash Flows From Investing Activities		
Purchases of investments	(569,510)	(593,289)
Proceeds from maturities and sales of investments	627,410	555,275
Interest received on investments	9,603	13,756
Net cash provided by (used in) investing activities	67,503	(24,258)
Net Increase in Cash and Cash Equivalents	177,091	63,215
Cash and Cash Equivalents, Beginning of Year	134,099	70,884
Cash and Cash Equivalents, End of Year	$ 311,190	$ 134,099
Noncash Activities		
Real estate received in lieu of foreclosure	$ 2,051	$ -
Borrowing under capital lease	$ 202	$ -

Missouri Housing Development Commission

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

(In Thousands)

	2010	2009
Reconciliation of Increase In Net Assets To Net Cash Provided By (Used In) Operating Activities		
Increase in net assets	$ 87,157	$ 70,765
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	444	379
Net increase in fair value of investments	(51,074)	(44,884)
Amortization of discounts on loans	(230)	4,402
Compliance and origination fee receipts	2,522	2,820
Amortization of deferred revenue	(1,735)	(1,666)
Income – investments	(9,064)	(12,913)
Provision for loan losses	1,358	-
Principal repayments on mortgage loans	326,390	232,431
Disbursements of mortgage loans	(287,523)	(126,903)
Interest expense related to bonds and capital leases	70,847	77,509
Change in assets and liabilities		
Increase in accounts receivable	(147)	(321)
Decrease in accrued interest receivable	410	280
Decrease (increase) in prepaid expenses	(72)	15
Increase in accounts payable	1,157	6
Net cash provided by operating activities	$ 140,440	$ 201,920

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Missouri Housing Development Commission (the "Commission") is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State Statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed $200,000,000. At June 30, 2010 and 2009, the Commission had $76,220,000 and $80,933,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri.

Reporting Entity

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), the Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's financial statements are prepared using the flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the balance sheet. The statement of revenues, expenses and changes in net assets presents increases, *i.e.*, revenues, and decreases, *i.e.*, expenses, in total net assets.

Revenues and expense are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consists primarily of interest expense on bonds outstanding and federal

program expenses. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

The Commission follows all GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, as prescribed by GASB Statement No. 20.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2010 and 2009, cash equivalents consisted primarily of certificates of deposit, overnight repurchase agreements and money market funds.

Investments

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the years ended June 30, 2010 and 2009, the net increase in fair value of investments was $51,074,000 and $44,884,000, respectively. Without the recognition of this element of investment income, the Commission's change in net assets would have been $36,083,000 in 2010 and $25,881,000 in 2009.

Mortgage Investments

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program are used to make or purchase mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred

to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

Real Estate Owned

Real estate owned was acquired through a deed in lieu of a foreclosure transaction and is recorded at the value of the investment in the loan, which is lower than the estimated fair market value less estimated selling costs.

Deferred Financing Charges

Costs related to selling and issuing bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Original Issue Discounts/Premiums

Original issue bond discounts and premiums are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Capital Assets

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

Net Assets

Net assets are classified as follows:

Invested in Capital Assets: This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted: This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors, grantors, contributions, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets.

Fees, Charges and Expenses

Deferred revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see *Note 2*).

Federal Assistance and Grants

The Commission administers grants and federal assistance programs, representing “pass-through” financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,* the Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission.

Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. The reclassifications had no effect on the change in net assets.

Note 2: Description of Funds or Programs

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri State Statutes and the respective bond resolutions.

Operating Fund

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately $9,059,000 and $9,634,000 at June 30, 2010 and 2009, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include $4,093,000 and $4,189,000 at June 30, 2010 and 2009, respectively, which are FHA-insured "Risk-Share Mortgage Loans," as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing rental or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. In addition, separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Rental Bond-Financed Program Fund

The Commission's Rental Bond-Financed Program Fund was established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible rental developments. All loans, with the exception of most of the loans financed by conduit Rental Housing Revenue Bonds, are insured by HUD. Uninsured conduit loans, which totaled $89,850,000 and $94,818,000 at June 30, 2010 and 2009, respectively, are financed by the borrowers with limited obligation revenue bonds which are denoted by "**" in *Note 5*.

Homeownership Bond-Financed Program Fund

The Commission's Homeownership Bond-Financed Program Fund was established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA or USDA/RD.

Note 3: Cash and Investments

A summary of cash and investments as of June 30, 2010 and 2009, is as follows *(in thousands)*:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash	$ 23,210	$ 23,210	$ 15,615	$ 15,615
Securities purchased under agreements to resell	10,181	10,181	5,683	5,683
Certificates of deposit	-	-	7,000	7,000
Money market funds	277,799	277,799	105,801	105,801
Total cash and cash equivalents	311,190	311,190	134,099	134,099
Investments				
Certificates of deposit	10,400	10,400	63,935	63,935
Securities purchased under agreements to resell	-	-	-	-
U.S. Treasury bonds and notes and agency obligations	303,517	307,511	223,105	225,889
Guaranteed investment contracts	50,544	50,544	135,717	135,717
Total investments	364,461	368,455	422,757	425,541
Total cash and cash equivalents and investments	$ 675,651	$ 679,645	$ 556,856	$ 559,640

Investment Policy

General

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2010, all of the Commission's general investments (nonbond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

Indentures

The Commission's Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2010, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

Investment Maturities

As of June 30, 2010 and 2009, the Commission had the following investments and maturities (amounts are in thousands):

June 30, 2010

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Certificates of deposit	$ 10,400	$ 10,400	$ -	$ -	$ -
U.S. Treasury securities	36,141	18,906	11,100	-	6,135
U.S. agency securities	271,370	68,294	177,216	25,860	-
Guaranteed investment contracts	50,544	473	-	1,621	48,450
Total investments	$ 368,455	$ 98,073	$ 188,316	$ 27,481	$ 54,585

June 30, 2009

Investment Type	Fair Value	Investment Maturities (In Years) Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of deposit	$ 63,935	$ 56,135	$ 7,800	$ -	$ -
U.S. Treasury securities	6,950	1,338	85	-	5,527
U.S. agency securities	218,939	34,835	124,978	59,126	-
Guaranteed investment contracts	135,717	1,589	57,597	1,600	74,931
Total investments	$ 425,541	$ 93,897	$ 190,460	$ 60,726	$ 80,458

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The demand repurchase agreements are collateralized by obligations of the United States of America or its agencies, and have a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2010, as reported at fair value, the Commission's U.S. agency securities consist of $134,384,000 Federal Home Loan Bank (FHLB), $60,493,000 Federal Farm Credit Bank (FFCB), $32,258,000 FHLMC and $44,235,000 Fannie Mae debt securities. Nonnegotiable certificates of deposit totaling $10,400,000 are reported at cost.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Standard & Poor's (AAA) and Moody's Investor Services (Aaa). Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2010:

Issuer	Percent of Total Investments
Federal Home Loan Bank	36.47%
Federal Farm Credit Bank	16.42%
Fannie Mae	12.01%
Federal Home Loan Mortgage Corporation	8.76%
U.S. Treasury	9.81%

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2010 and 2009, securities approximating $247,077,000 and $204,941,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission’s name.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by a single collateral pool established by the financial institution or by irrevocable standby letters of credit issued by the Federal Home Loan Bank of Des Moines.

Note 4: Mortgage Investments

Mortgage investments reflected in the balance sheet consist of the following as of June 30, 2010 and 2009 *(in thousands)*:

	2010	2009
Total mortgage loan principal outstanding	$ 575,495	$ 547,784
Less: Allowance for mortgage loan losses	(44,100)	(42,768)
Deferred origination and commitment fees	(3,153)	(3,335)
Mortgage loans, net	528,242	501,681
Total mortgage-backed securities, at cost	1,130,195	1,204,537
Unrealized gain (loss) on securitized mortgage loans	76,879	21,142
Mortgage-backed securities, at fair value	1,207,074	1,225,679
Mortgage investments, net	$ 1,735,316	$ 1,727,360

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling $159,226,000 and $151,818,000 as of June 30, 2010 and 2009, respectively. A portion of these loans totaling $43,113,000 and $42,172,000 at June 30, 2010 and 2009, respectively, include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of $21,059,000 and $21,076,000 is attributable to this portfolio at June 30, 2010 and 2009, respectively. At June 30, 2010, mortgages also include $14,077,000 financed by the federal Tax Credit Assistance Program.

During fiscal year 2010 the Commission began warehousing mortgage-backed securities created by its single family homeownership programs. The securities have been funded by net assets or through short-term FHLB advances which are secured by pledged U.S. agency securities and mortgage-backed securities, which totaled $21,720,000 at June 30, 2010. The balance of mortgage-backed securities funded directly by the Operating Fund was $1,913,000, and the balance funded by FHLB advances was $3,253,000 at June 30, 2010.

The Homeownership Bond-Financed Program generally requires that mortgage loans be made to borrowers whose household income does not exceed the statewide median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Homeownership Bond-Financed Program provides funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Rental Bond-Financed Program provides long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with the U.S. Department of Housing and Urban Development (HUD), which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling $173,885,000, representing 57 loans as of June 30, 2010, and $157,740,000 representing 56 loans as of June 30, 2009.

The proceeds of the Rental Housing Revenue Bonds, the Homeownership Mortgage Revenue Bonds, the Homeownership Loan Program and the Special Homeownership Loan Program as well as resources of the Commission's Mortgage-Backed Security Warehousing Program, as listed below, were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the mortgage loans financed by the Homeownership and Rental Programs are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment. The financing rates related to the mortgage-backed securities at June 30, 2010, are as follows:

Missouri Housing Development Commission
Notes to Financial Statements
June 30, 2010 and 2009

Issue	Mortgage Rate	Certificate Rate
Rental Housing Revenue Bonds		
Series 1999	6.185%	5.185%
Series 2002 G	6.90%	6.65%
2005 Series I-A	5.85%	5.60%
Homeownership Mortgage Revenue Bonds		
Issue of November 1, 1986	8.25%	7.75%
1988 Series C	8.80%	8.30%
Homeownership Loan Program (1995 Indenture)		
1995 Series B	6.5%, 7.65%	6%, 7.15%
1995 Series D	6.55%, 7.45%	6.05%, 6.95%
1996 Series B	8%	7.50%
1996 Series C	7.87%	7.37%
1997 Series A	6.3%, 6.85%, 7.85%	5.8%, 6.35%, 7.35%
1997 Series A-4	6.84%	6.34%
1997 Series B	6.31%, 7.31%	5.81%, 6.81%
1997 Series C	7.35%	6.85%
1998 Series B	6.1%, 7.35%	5.6%, 6.85%
1998 Series D	6.05%, 6.67%, 6.95%	5.55%, 6.17%, 6.45%
1998 Series E	5.90%	5.40%
1999 Series A	5.87%	5.37%
1999 Series B	6.25%, 7.1%	5.75%, 6.6%
1999 Series C	6.77%	6.27%
2000 Series A	7.03%, 7.93%	6.53%, 7.43%
2000 Series B	6.97%, 7.87%	6.47%, 7.37%
2000 Series C	6.6%, 7.5%	6.1%, 7%
2001 Series A	6.1%, 6.85%	5.6%, 6.35%
2001 Series B	6.16%, 6.91%	5.66%, 6.41%
2001 Series C	5.5%, 6.4%, 8.25%	5%, 5.9%, 7.75%
2002 Series A	6.05%, 6.84%	5.55%, 6.34%
2002 Series B	6.08%, 6.65%, 6.83%	5.58%, 6.15%, 6.33%
2002 Series C	5.2%, 6.1%, 6.79%	4.7%, 5.6%, 6.29%
2003 Series A	5.42%, 6.27%	4.92%, 5.77%
2003 Series B	5.25%, 5.85%, 6.09%, 7.45%	4.75%, 5.35%, 5.59%, 6.95%
2003 Series C	5.99%	5.49%
2003 Series D	5.08%, 6.08%	4.58%, 5.58%
2004 Series A	4.95%, 5.65%, 7.3%	4.45%, 5.15%, 6.8%
2004 Series B	5.9%, 5.95%, 6.6%	5.4%, 5.45%, 6.1%
2004 Series C	5.7%, 5.95%, 6.3%	5.2%, 5.45%, 5.8%
2004 Series D	5.875%	5.375%
2005 Series A	5.4%, 5.9%, 7.99%	4.9%, 5.4%, 7.49%
2005 Series B	5.6%, 6.1%	5.1%, 5.6%
2005 Series C	5.3%, 5.8%, 6.9%	4.8%, 5.3%, 6.4%

Issue	Mortgage Rate	Certificate Rate
Homeownership Loan Program (1995 Indenture) (Continued)		
2005 Series D	5.6%, 6.125%	5.1%, 5.625%
2006 Series A	5.65%, 6.15%	5.15%, 5.65%
2006 Series B	5.75%, 6.25%	5.25%, 5.75%
2006 Series C	6%, 6.41%	5.5%, 5.91%
2006 Series D	6.3%, 6.71%	5.8%, 6.21%
2006 Series E	6.15%, 6.6%	5.65%, 6.1%
2007 Series A	5.9%, 6%, 6.35%, 6.45%	5.4%, 5.5%, 5.85%, 5.95%
2007 Series B	5.99%, 6.09%, 6.45%, 6.55%	5.49%, 5.59%, 5.95%, 6.05%
2007 Series C	5.95%, 6.05%, 6.105%, 6.4%, 6.555%	5.45%, 5.55%, 5.605%, 5.9%, 6.055%
2007 Series D	6.29%, 6.445%, 6.84%, 6.995%	5.79%, 5.945%, 6.34%, 6.495%
2007 Series E	6.04%, 6.195%, 6.49%, 6.645%	5.54%, 5.695%, 5.99%, 6.145%
2008 Series A	5.99%, 6.145%, 6.46%, 6.615%	5.49%, 5.645%, 5.96%, 6.115%
2008 Series B	5.25%, 5.65%, 5.70%, 6.25%, 6.45%, 6.54%, 6.65%, 6.7%, 6.9%, 7.1%, 7.3%, 7.54%	4.75%, 5.15%, 5.2%, 5.75% 5.95%, 6.04%, 6.15%, 6.2%, 6.4%, 6.6%, 6.8%, 7.04%
2008 Series C	5.4%, 5.45%, 5.55%, 5.6%, 5.85%, 6.01%, 6.19%, 6.25%, 6.31%, 6.45%, 6.49%, 6.5%, 6.69%, 7.15%, 7.29%	4.9%, 4.95%, 5.05%, 5.1%, 5.35%, 5.51%, 5.69%, 5.75%, 5.81%, 5.95%, 5.99%, 6%, 6.19%, 6.65%, 6.79%,
2009 Series A	5.5%, 5.55%, 5.65%, 5.75%, 5.85%, 6%, 6.15%, 6.25%, 6.3%, 7.72%	5%, 5.05%, 5.15%, 5.25%, 5.35%, 5.5%, 5.65%, 5.75%, 5.8%, 7.22%
2009 Series B	5.4%, 5.5%, 5.55%, 5.72%, 5.85%, 6%, 6.01%, 6.02%, 6.15%, 6.25%, 6.3%, 6.31%, 6.4%, 6.49%, 6.5%, 6.63%	4.9%, 5.0%, 5.05%, 5.22%, 5.35%, 5.5%, 5.51%, 5.52%, 5.65%, 5.75%, 5.8%, 5.81%, 5.9%, 5.99%, 6%, 6.13%
2009 Series C	5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.25%, 8.7%, 8.8%	5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.75%, 8.2%, 8.3%
2009 Series D	5.1%, 5.35%, 5.4%, 5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 7.75%	4.6%, 4.85%, 4.9%, 5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 7.25%
Special Homeownership Loan Program (2009 Indenture)		
2009 Series E-1	4.9%, 5.1%, 5.125%, 5.25%, 5.275%, 5.35%, 5.4%, 5.5%, 5.55%, 5.625%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.31%	4.4%, 4.6%, 4.625%, 4.75%, 4.775%, 4.85%, 4.9%, 5%, 5.05%, 5.125%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.81%
Mortgage-Backed Securities Warehousing Program		
Homeownership Portfolio	4.9%, 5.125%, 5.35%, 5.4%, 5.5%, 5.625%, 5.85%, 6%, 6.4%	4.4%, 4.625%, 4.85%, 4.9%, 5%, 5.125%, 5.35%, 5.5%, 5.9%

GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the balance sheet at fair value in accordance with GASB Statement No. 31. As of June 30, 2010, the par value of securitized mortgage loans consist of 79.4% GNMA, 17.8% Fannie Mae and 2.8% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments:

	2010		2009	
	Carrying Value	**Cost**	**Carrying Value**	**Cost**
GNMA, Fannie Mae and FHLMC mortgage-backed securities	$ 1,207,074	$ 1,130,195	$ 1,225,679	$ 1,204,537
Other mortgage loans	572,342	572,342	544,449	544,449
Total mortgage investments	$ 1,779,416	$ 1,702,537	$ 1,770,128	$ 1,748,986

Note 5: Bonds Payable and Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2010 *(in thousands)*:

	Balance June 30, 2009	**Increases**	**Decreases**	**Balance June 30, 2010**	**Amount Due Within One Year**
Operating – notes payable	$ 1,632	$ 228,367	$ (223,069)	$ 6,930	$ 6,930
Rental bond – financed program	282,805	18,940	(12,470)	289,275	4,692
Homeownership bond – financed program	1,328,885	420,000	(397,532)	1,351,353	15,300
Total bonds and notes payable	1,613,322	667,307	(633,071)	1,647,558	26,922
Unamortized premium, discount and deferred amount on refunding	33,644	2,316	(10,306)	25,654	2,575
Total bonds and notes payable, net	1,646,966	669,623	(643,377)	1,673,212	29,497
Deferred revenue	9,487	2,474	(1,735)	10,226	1,064
Capital leases	-	202	(26)	176	48
Total long-term debt and other obligations	$ 1,656,453	$ 672,299	$ (645,138)	$ 1,683,614	$ 30,609

The net proceeds of bond issues are used to provide financing for rental bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2010 and 2009, follows *(in thousands)*, including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding 2010	Outstanding 2009
Rental Bond – Financed Program			
Series September 1, 1989, Westminster Place (9.25%), due 2030***	$ 1,845	$ 1,350	$ 1,385
Series 1996A Truman Farm Villas (5.75% to 6.20%), due 2011 - 2028**	7,700	6,725	6,880
Series 1996A Brookstone Village (6.00% to 6.20%), due 2016 - 2028**	8,400	6,905	7,005
Series 1999 O'Fallon Place Apts. (4.60% to 5.25%), due 2010 - 2032*,**	6,710	5,630	5,740
Series 1999 The Mansion Apts. Phase II (6.125% to 6.170%), due 2022 - 2032**	6,730	5,995	6,100
Series 1999 East Hills Village Apts. (7.3%), due 2030**	2,750	2,465	2,515
2000 Series 1 (5.60% to 6.10%), due 2010 - 2031	11,540	9,495	9,705
2001 Series I (4.40% to 5.25%), due 2010 - 2027	21,780	5,095	5,860
2001 Series II (4.75% to 5.50%), due 2010 - 2023	46,360	4,720	7,820
2001 Series III (4.60% to 5.25%), due 2010 - 2021	22,850	1,420	1,550
2001 Series 1A (4.375% to 5.375%), due 2010 - 2033	7,300	4,550	4,685
2001 Series 2A (5.25% to 5.30%), due 2021 - 2032	3,800	3,270	3,350
Series 2002 G JB Hughes Apts. I & II (6.2% to 6.3%), due 2019 - 2037*,**	2,550	2,350	2,382
Series 2002 H JB Hughes Apts. I & II (6.9%), due 2038**	450	287	421
2002 Series 1 Bevo-Bavarian (5.30% to 5.55%), due 2017 - 2038	12,890	11,965	12,140
2002 Series 2 Columbia Square Townhomes (5.2% to 5.3%), due 2022 - 2034	4,440	3,270	3,370
2002 Series 4 Hawthorne Place Apts. (5.15% to 5.20%), due 2022 - 2034	20,505	13,395	13,660
2003 Series 1 Pevely Square Apts. (5.2% to 5.3%), due 2023 - 2034	5,105	2,445	2,495
2003 Series 2 Parkview Place Apts. (3.80% to 5.25%), due 2010 - 2035	5,715	4,425	4,680
2003 Series 3 Hyder Elderly Apts. (4.100% to 5.625%), due 2010 - 2040	3,965	3,720	3,770
2003 Series 4 Ridge Crest Apts. (4.60% to 5.45%), due 2013 - 2035	3,925	2,405	2,505
2003 Series 5 Kensington Heights Apts. (3.60% to 5.28%), due 2010 - 2040	5,075	4,735	4,805
2003 Series 6 Historic Ellison Apts. (3.25% to 5.00%), due 2010 - 2035	5,280	2,050	2,090
2003 Series 7 Autumn House/Jefferson Manor (4.3% to 5.1%), due 2013 - 2035	4,695	4,290	4,380
2003 Series 8 Stratford Commons (3.60% to 5.20%), due 2010 - 2035	4,385	2,090	2,130
2003 Series 9 Rural Development Apts. (4.35% to 5.10%), due 2013 - 2034	8,590	3,295	3,365
2003 Series 10 Hidden Valley Apts. (3.40% to 5.10%), due 2010 - 2036	10,880	10,040	10,240
2004 Series 1 Hickory Townhomes (4.05% to 4.95%), due 2018 - 2036	3,160	2,915	2,975
2004 Series 2 Winter Garden Apts. (3.15% to 4.95%), due 2010 - 2035	4,190	3,810	3,890
2004 Series 3 Woodlen Place Apts. (5.10% to 5.33%), due 2018 - 2035	1,800	1,255	1,275
Total forward	255,365	136,362	143,168

Missouri Housing Development Commission
Notes to Financial Statements
June 30, 2010 and 2009

	Original Amount Authorized	Outstanding 2010	Outstanding 2009
Total forward	$ 255,365	$ 136,362	$ 143,168
Rental Bond – Financed Program *(Continued)*			
2004 Series 4 Festus Gardens Apts. (5.25%), due 2036	5,990	4,165	4,240
2004 Series 5 FP-San Remo Apts. (4.25% to 5.45%), due 2011 - 2036	3,785	2,195	2,235
2004 Series 6 Allen Market Lane Apts. (4.70% to 5.15%), due 2018 - 2036	6,735	3,435	3,495
Series 2004 Bridgeport Apts. (6.6%), due 2041**	6,580	6,391	6,449
2005 Series 1 St. Louis Brewery Apts. (4.5% to 4.9%), due 2020 - 2036	8,125	3,280	3,340
2005 Series 2 Meadowglen Apts. (3.30% to 4.85%), due 2010 - 2042	8,540	6,755	6,850
2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016 - 2036	6,520	5,735	5,850
2005 Series 4 Park Place Apts. (3.55% to 4.70%), due 2010 - 2037	10,330	9,715	9,905
2005 Series 5 Hawkins Village Apts. (3.85% to 5.00%), due 2010 - 2042	5,335	5,095	5,165
2005 Series 6 Ivanhoe Gardens Apts. (3.800% to 4.875%), due 2010 - 2036	4,240	2,485	2,535
2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*,**	2,750	1,360	1,380
2005 Series II ChapelRidge of St. Joseph (6.3%), due 2047**	7,150	7,023	7,069
2005 Series III ChapelRidge of Union (6.4%), due 2047**	6,375	6,265	6,305
2005 Series IV ChapelRidge of Blue Springs (6.4%), due 2047**	9,800	9,657	9,717
2006 Series 1 Meadow Ridge Townhouses (3.9% to 5.0%), due 2010 - 2037	6,360	3,005	3,170
2006 Series 2 Ashley Park Apts. (3.850% to 4.875%), due 2010 - 2037	7,290	6,275	6,395
2006 Series 3 Eureka & Wendell Apts. (4.00% to 5.00%), due 2010 - 2047	3,165	3,075	3,105
2006 Series 4 Justin Place Apts. (4.10% to 5.00%), due 2010 - 2042	5,640	2,195	2,225
2006 Series 5 Metropolitan Village Apts. (4.10% to 5.00%), due 2010 - 2038	5,960	5,770	5,870
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048**	15,046	4,388	4,488
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048**	8,721	2,313	2,379
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048**	5,329	1,115	1,146
2006 Series IV Washington Apts. (6.568%), due 2024**	7,500	2,807	2,841
2006 Series V Lost Tree South Apts. (6.244%), due 2026**	4,400	3,105	3,146
2006 Series VII Cedar Tree Apts. (5.73%), due 2026**	2,500	1,756	1,774
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026**	3,200	2,682	2,709
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026**	1,800	1,307	1,320
2006 Series X Center Apts. (5.73%), due 2026**	1,900	1,216	1,228
2007 Series 1 Linden Campus Apts. (3.90% to 4.70%), due 2010 - 2048	3,980	1,960	1,980
2007 Series I Park Ridge Apts. (5.665%), due 2039**	12,000	10,832	10,977
2007 Series II Mexico I Apts. (5.88%), due 2026**	1,100	671	681
2007 Series III Princeton Manor Apts. (variable rate), due 2027**	2,152	1,575	1,587
Total forward	445,663	265,965	274,724

Missouri Housing Development Commission

Notes to Financial Statements

June 30, 2010 and 2009

	Original Amount Issued	Outstanding 2010	Outstanding 2009
Total forward	$ 445,663	$ 265,965	$ 274,724
Rental Bond – Financed Program *(Continued)*			
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027**	970	777	783
2007 Series V Westside Apts. (variable rate), due 2027**	2,400	888	898
2007 Series VI Longfellow Apts. (variable rate), due 2040**	6,400	2,705	6,400
2009 Series 1 Courthouse Apts. (3.00% to 5.25%), due 2012 - 2042	18,940	18,940	-
	474,373	289,275	282,805
Less: Unamortized debt discount	-	(155)	(164)
Add: Unamortized debt premium	-	279	30
Less: Deferred amount on refunding	-	(344)	(402)
	474,373	289,055	282,269
Homeownership Bond – Financed Program			
1995 Series B (6.00% to 6.45%), due 2010 - 2027*	30,000	1,760	1,950
1997 Series B redeemed in 2010*	64,500	-	3,440
1997 Series C (5.20% to 6.55%), due 2010 - 2029*	55,625	985	1,850
1998 Series B redeemed in 2010*	70,000	-	4,265
1998 Series D redeemed in 2010*	70,000	-	4,570
1998 Series E redeemed in 2010*	50,000	-	3,983
1999 Series I (5.10%), due 2030	5,095	375	405
1999 Series A redeemed in 2010*	75,000	-	7,440
1999 Series B redeemed in 2010*	75,000	-	5,230
1999 Series C redeemed in 2010*	75,000	-	4,805
2000 Series A (5.75% to 7.50%), due 2010 - 2031*	98,135	2,590	3,920
2000 Series B (5.75% to 7.45%), due 2010 - 2031*	70,000	3,150	4,085
2000 Series C (5.20% to 7.15%), due 2010 - 2032*	84,390	5,370	6,775
2001 Series A (4.625% to 6.350%), due 2010 - 2033*	100,000	10,390	13,255
2001 Series B (4.75% to 6.85%), due 2010 - 2033*	70,000	8,725	10,970
2001 Series C (4.25% to 6.23%), due 2010 - 2033*	46,490	9,575	12,070
2002 Series A (4.55% to 6.75%), due 2010 - 2034*	45,000	6,115	7,995
2002 Series B (4.40% to 6.66%), due 2010 - 2034*	80,000	12,080	15,750
2002 Series C (3.65% to 6.00%), due 2010 - 2034*	80,000	18,255	23,410
2003 Series A (3.90% to 5.78%), due 2010 - 2035*	50,000	14,325	19,020
2003 Series B (3.700% to 5.375%), due 2010 - 2034*	78,795	25,180	31,350
2003 Series C (3.50% to 5.35%), due 2010 - 2034*	60,000	24,580	31,085
2003 Series D (3.50% to 5.55%), due 2010 - 2034*	70,000	25,160	32,865
Total forward	1,503,030	168,615	250,488

	Original Amount Authorized	Outstanding 2010	Outstanding 2009
Total forward	$ 1,503,030	$ 168,615	$ 250,488
Homeownership Bond – Financed Program *(Continued)*			
2004 Series A (3.15% to 5.15%), due 2010 - 2035*	57,280	27,860	34,020
2004 Series B (4.40% to 6.35%), due 2010 - 2035*	60,000	23,865	31,840
2004 Series C (3.75% to 6.00%), due 2010 - 2035*	60,000	27,085	37,030
2004 Series D (3.40% to 5.50%), due 2010 - 2035*	40,000	21,640	26,425
2005 Series A (3.50% to 5.90%), due 2010 - 2036*	54,680	29,863	36,595
2005 Series B (3.85% to 5.80%), due 2010 - 2036*	75,000	39,610	54,830
2005 Series C (3.60% to 5.60%), due 2010 - 2036*	68,000	41,640	51,860
2005 Series D (3.8% to 6.0%), due 2010 - 2036*	50,000	27,840	39,190
2006 Series A (3.75% to 6.00%), due 2010 - 2037*	50,000	29,415	41,085
2006 Series B (3.95% to 6.05%), due 2010 - 2037*	100,000	60,065	83,715
2006 Series C (4.00% to 5.90%), due 2010 - 2037*	60,000	37,975	51,590
2006 Series D (4.95% to 6.15%), due 2010 - 2037*	70,000	39,540	55,635
2006 Series E (5.60% to 5.88%), due 2037*	40,000	24,430	31,685
2007 Series A (4.625% to 6.000%), due 2010 - 2038*	50,000	30,355	44,735
2007 Series B (5.04% to 5.78%), due 2017 - 2038*	35,000	23,245	30,705
2007 Series C (4.70% to 6.25%), due 2010 - 2038*	100,000	71,640	95,645
2007 Series D (4.70% to 6.50%), due 2010 - 2038*	50,000	31,895	46,205
2007 Series E (4.68% to 5.60%), due 2010 - 2038*	66,000	47,135	64,140
2008 Series A (2.75% to 5.70%), due 2010 - 2039*	50,000	33,775	49,040
2008 Series B (3.60% to 5.75%), due 2010 - 2034*	65,000	51,310	64,830
Draw Down Series 2008A redeemed in 2009	100,000	-	57,597
2008 Series C-1 (5.615%), due 2039*, ***	8,000	6,944	8,000
2008 Series C-2 (4.48%), due 2039*, ***	12,000	9,262	12,000
2008 Series C-3 (5.24%), due 2039*, ***	10,000	8,683	10,000
2008 Series C-4 (5.06%), due 2039*, ***	10,000	8,539	10,000
2009 Series A (1.20% to 5.35%), due 2010 - 2039*	30,000	29,840	-
2009 Series B-1 (4.63%), due 2040*, ***	10,000	9,361	10,000
2009 Series B-2 (4.64%), due 2040*, ***	5,000	4,926	-
2009 Series C (0.80% to 5.00%), due 2010 - 2036*	40,000	40,000	-
2009 Series D (0.65% to 4.80%), due 2010 - 2040*	45,000	45,000	-
2009 Series E (variable), due 2041*	260,000	200,000	-
2009 Series E-1 (0.60% to 5.00%), due 2011 - 2041*	100,000	100,000	-
	3,333,990	1,351,353	1,328,885
Less: Unamortized debt discount	-	(72)	(95)
Add: Unamortized debt premium	-	26,722	35,104
Less: Deferred amount on refunding	-	(776)	(829)
	3,333,990	1,377,227	1,363,065
Total	$ 3,808,363	$ 1,666,282	$ 1,645,334

The proceeds of bond issues denoted by "*" are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission's loan programs.

The proceeds of bond issues denoted by "**" are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower. The total aggregate amount of conduit debt outstanding was $99,190,000 at June 30, 2010, and $104,320,000 at June 30, 2009.

The bond issues denoted by "***" are general obligation bonds. All other bond issues are revenue bonds and conduit debt as described previously.

During the fiscal years ended June 30, 2010 and 2009, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of $5,995,000 and $2,530,000 for the years ended June 30, 2010 and 2009, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the applicable bond indentures.

Certain redemptions resulted from current refundings consummated through issuance of the Commission's Draw Down Series 2008A and Draw Down Series 2007A, which were authorized for a maximum issuance amount of $100,000,000 each and had cumulative draw downs of $60,211,000 during the fiscal year ended June 30, 2009. Due to the short-term nature of these Draw Down Series, there is no economic gain or loss and the difference between the reacquisition price and the net carrying amount of the old debt was recognized in current income. The bonds were issued at par value bearing variable interest equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index for tax-exempt weekly variable rate demand bonds plus 0.65%, subject to certain minimum and maximum rates. On June 30, 2009, the interest rate on the Draw Down Series bonds was 0.27%. Proceeds of $57,597,000 as of June 30, 2009, from these bond issues were outstanding and included in restricted cash equivalents and restricted investments. The Draw Down Series 2007A bonds were fully redeemed during fiscal year 2009. The Draw Down Series 2008A bonds were fully paid on their mandatory tender date on August 1, 2009.

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows *(in thousands)*:

Bonds Maturing During Years Ending June 30,	Principal	Interest	Total
2011	$ 19,992	$ 66,725	$ 86,717
2012	234,133	66,887	301,020
2013	20,969	65,763	86,732
2014	19,693	65,032	84,725
2015	18,573	64,343	82,916
2016 - 2020	94,187	310,088	404,275
2021 - 2025	129,450	288,486	417,936
2026 - 2030	176,048	252,476	428,524
2031 - 2035	341,745	205,331	547,076
2036 - 2040	497,721	75,232	572,953
2041 - 2045	78,793	5,338	84,131
2046 - 2050	8,424	310	8,734
2051 - 2055	900	-	900
	$ 1,640,628	$ 1,466,011	$ 3,106,639

In addition to bonds payable at June 30, 2010 and 2009, the Commission had fixed rate notes payable totaling $6,930,000 and $1,632,000, respectively. The fixed rate notes pay interest monthly or at maturity with a final principal balloon payment due at maturity as follows *(in thousands)*:

Maturity Date	Interest Rate	Principal	Interest	Total
2011	0% to 3.64%	$ 6,930	$ -	$ 6,930

Note 6: Escrow Deposits and Rent Subsidies Payable

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the Housing Assistance Programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

Note 7: Restrictions and Designations

Restricted Cash and Investments

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The Trust Indentures between the Commission and the Trustees establish special accounts for the segregation of assets and restrictions of the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposits in restricted accounts for the various issues within the Rental Bond-Financed and Homeownership Bond-Financed Programs.

As of June 30, 2010 and 2009, the assets of all accounts equaled or exceeded the requirements as established by the Trust Indentures. Such assets are restricted as follows:

	2010	2009
Program and Construction Funds – construction escrows and other restricted funds	$ 23,077	$ 9,733
Mortgage Escrow Accounts – insurance, taxes, replacement reserves and other mortgage escrows	77,171	72,934
Federal Program Funds	1,078	1,256
Missouri Housing Trust Fund	5,909	5,839
Bond Proceeds Accounts – funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of cost of issuance	18,865	27,758
Revenue and Debt Service Funds – program revenues for debt services payments	331,320	227,453
Debt Service and Other Bond Reserve Accounts – reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	25,982	23,878
	$ 483,402	$ 368,851

Restricted Net Assets

Pursuant to certain bond resolutions, the Commission has restricted the net assets of the Rental Bond-Financed Mortgage Program and the Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, net assets associated with the federal grant agreements of the HOME Investment Partnership Program and Rural Housing and Economic Development are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to State Statute, the Commission has restricted the amount of net assets representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

Below is a summary of restricted net assets by bond resolution and State Statute as of June 30, 2010 and 2009 *(in thousands)*:

	2010	2009
Restricted Net Assets		
Restricted by bond resolution	$ 193,886	$ 132,483
Restricted by collateral custodial agreement - FHLB	21,720	-
Restricted by Grant Agreement – HOME Investment Partnership Program	138,957	131,501
Restricted by Grant Agreement – Rural Housing and Economic Development	154	165
Restricted by Grant Agreement – TCAP	11,381	-
Restricted earnings of HUD-purchased Loans	9,916	9,475
Restricted by State Statute – Missouri Housing Trust Fund	5,598	6,041
Total restricted net assets	$ 381,612	$ 279,665

Commission Designated Net Assets

The Commission has designated certain unrestricted assets for its affordable housing programs. The Commission has the discretion to reverse any designated net assets and as of June 30, 2010 and 2009, has designated the following amounts *(in thousands)*:

	2010	2009
Designated By Commission For		
Tenant assistance	$ 35,113	$ 55,350
Loans not funded by a bond sale	92,071	92,007
Loan commitments not yet disbursed	7,555	10,409
Home Improvement and Multifamily Interest Subsidy Program	5,391	5,272
Single Family Homeownership Program	20,000	20,000
Single Family Tax Credit Advance Loan Program	2,617	6,000
Single Family Cash Assistance Program	17,379	6,975
Single Family HOPE Program	13,015	-
Single Family Refi Assistance	2,830	-
Rural Initiative Program	969	967
Total commission designated	$ 196,940	$ 196,980

Note 8: Pension Plan

All eligible Commission employees participate in the Missouri State Employees' Plan (MSEP). This plan is a single-employer public employee defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. The plan is administered by the Missouri State Employees' Retirement System (MOSERS). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P.O. Box 209, Jefferson City, Missouri 65102, or by calling 1.800.827.1063.

Covered employees do not contribute toward MSEP. The employer is required to contribute at an actuarially determined rate. The contribution requirements for the years ended June 30, 2010, 2009 and 2008, was $759,000, $750,000 and $718,000, respectively, of which the Commission contributed 100%. These contributions represent 12.0%, 12.3% and 12.8% of total salaries during 2010, 2009 and 2008, respectively. These contributions are expensed by the Commission when incurred.

The annual required contributions for MSEP for the current year was determined as part of an actuarial valuation of MSEP as of June 30, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MSEP includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0.3% to 3.5% per year for MSEP, depending on age, attributable to seniority and/or merit and (d) the assumption that benefits will increase between 2.56% and 4% per year after retirement. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a five-year period.

As determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

Note 9: Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the state of Missouri (the "State") provides postemployment health care and life insurance benefits, in accordance with state statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at www.mchcp.org. There are currently eight Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 41. Health care benefits are funded through both employer and retiree contributions. MOSERS life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 75%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, during fiscal year 2009, the State assessed a charge of 4.80% of total employee salary to the Commission. During fiscal year 2010, this charge ranged from 3.60% to 6.99% of total employee salary. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal year 2010, 2009 and 2008, expenses of approximately \$290,000, \$262,000 and \$244,000 were recognized for postretirement health care benefits, respectively, which represents 100% of the required amount.

Note 10: Commitments and Contingencies

The Commission rents office space in Kansas City, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods.

The Commission rents office space in St. Louis, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease.

Lease expenditures for the years ended June 30, 2010 and 2009, were $917,000 and $845,000, respectively. Future minimum lease payments for these leases are as follows *(in thousands)*:

Year	Amount
2011	$ 766
2012	544
2013	290
2014	297
2015	304
2016 - 2017	336
	$ 2,537

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. The Commission has not had any insurance settlements in any of the last three years.

The Commission carries commercial insurance for workers' compensation, for which there were no significant insurance settlements in fiscal years 2010 and 2009.

The Commission has committed to mortgage loans funded by the operating fund net assets of $23,931,000 that has not been disbursed as of June 30, 2010.

The Commission is also subject to additional audits, as deemed necessary by its federal grantor agencies, of the Commission's grant programs that may result in disallowed costs to the Commission. However, the Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2010.

From time to time, the Commission may be a defendant in legal actions related to its programs and operations. While the final outcomes of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Commission's financial position.

Note 11: Economic Conditions

The current protracted economic decline continues to present housing finance agencies with circumstances and challenges, which in some cases have resulted in large fluctuations in the fair value of investments and mortgage-backed securities, declines in investment earnings, constraints on liquidity and some difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Commission.

The Commission is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current economic environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the Commission.

Note 12: Subsequent Events

In March 2009, the Commission authorized a private placement sale of taxable Single Family Mortgage Revenue Bonds (Homeownership Loan Program) 2009 Series B bonds in the amount of $75,000,000. In accordance with this authorization, $10,000,000 and $5,000,000 of these bonds were closed during fiscal years 2009 and 2010, respectively. The remaining authorized bonds may be issued during fiscal year 2011 and will not exceed $60,000,000.

During fiscal year 2010, the Commission authorized the issuance of Treasury New Issue Bond Program (NIBP) Single Family Mortgage Revenue Bonds (Special Homeownership Loan Program) in an amount to not exceed $434,000,000. In December 2009, NIBP 2009 Series E Program Bonds were closed in the amount of $260,000,000 with bond proceeds held in escrow pending corresponding sale of Market Bonds. In June 2010 NIBP 2009 Series E-1 Market Bonds were closed and delivered in the amount of $40,000,000 and 2009 Series E Program Bonds in the amount of $60,000,000 were converted to 2009 Series E-1 Program Bonds with a corresponding amount of bond proceeds released from escrow. The remaining authorized bonds may be issued during fiscal years 2011 and 2012 and will not exceed $134,000,000 in new issuances.

In December 2009, the Commission authorized establishment of a mortgage-backed securities warehousing program and financing with FHLB Advances. In fiscal year 2010, the Commission utilized these advances for purchases of mortgage-backed securities for the warehousing program and at June 30, 2010, the Commission had $3,047,000 in outstanding advances. Additional advances were obtained subsequent to year end in the amount of $44,240,000. Further advances are expected to be utilized during fiscal year 2011 and are not expected to exceed $150,000,000 in outstanding advance balances.

In April 2010, the Commission authorized the issuance of Multifamily Housing Revenue Bonds, 2010 Series 1 Basie Court Apartments Project. In accordance with this authorization, a bond purchase agreement was executed in August to sell bonds totaling $4,967,000, which were closed and delivered in September 2010. Additionally, in April 2010, the Commission authorized the

issuance of Multifamily Housing Revenue Bonds, 2010 Series 2 Samantha Heights Apartments Project. It is expected that these bonds will be issued during fiscal year 2011 and in total will not exceed $10,000,000.

Subsequent to year end, the Commission authorized four additional bond issues in the Rental Bond-Finance Mortgage Program. It is expected that these bonds will be issued during fiscal year 2011 and in total will not exceed $30,500,000.

Supplementary Information

Missouri Housing Development Commission
Combining Balance Sheet
June 30, 2010
(In Thousands)

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 16,368	$ -	$ -	$ 16,368
Investments	27,144	-	-	27,144
Mortgage investments	5,403	-	-	5,403
Accrued interest receivable	1,849	-	-	1,849
Real estate owned	2,051	-	-	2,051
Accounts receivable – other	783	-	-	783
Prepaid expenses	107	-	-	107
Total current assets	53,705	-	-	53,705
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	9,959	29,323	255,540	294,822
Investments	23,046	74,629	90,905	188,580
Mortgage investments	176,769	283,939	1,200,855	1,661,563
Accrued interest receivable	284	1,145	5,669	7,098
Deferred financing charges	-	88	10,714	10,802
Accounts receivable – other	834	(576)	(258)	-
Total restricted assets	210,892	388,548	1,563,425	2,162,865
Investments	152,731	-	-	152,731
Mortgage investments, net of current portion and allowances for loan losses of $44,100	68,350	-	-	68,350
Capital assets, less accumulated depreciation of $2,386	1,427	-	-	1,427
Total noncurrent assets	433,400	388,548	1,563,425	2,385,373
Total assets	$ 487,105	$ 388,548	$ 1,563,425	$ 2,439,078

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Liabilities and Net Assets				
Current Liabilities				
Bonds and notes payable	$ 6,978	$ -	$ -	$ 6,978
Accounts payable	2,262	-	-	2,262
Deferred revenue	1,064	-	-	1,064
Total current liabilities	10,304	-	-	10,304
Current Liabilities – Payable From Restricted Assets				
Bonds and notes payable	-	4,655	17,912	22,567
Accrued interest payable	-	4,394	17,851	22,245
Escrow deposits	18,589	68,590	-	87,179
Rent subsidies and other payables	335	-	-	335
Accounts payable	-	478	492	970
Total current liabilities – payable from restricted assets	18,924	78,117	36,255	133,296
Noncurrent Liabilities				
Bonds and notes payable	128	-	-	128
Deferred revenue	9,162	-	-	9,162
Payable from restricted assets				
Bonds and notes payable	-	284,400	1,359,315	1,643,715
Total noncurrent liabilities	9,290	284,400	1,359,315	1,653,005
Total liabilities	38,518	362,517	1,395,570	1,796,605
Net Assets				
Invested in capital assets	1,427	-	-	1,427
Restricted	187,726	26,031	167,855	381,612
Unrestricted	259,434	-	-	259,434
Total net assets	448,587	26,031	167,855	642,473
Total liabilities and net assets	$ 487,105	$ 388,548	$ 1,563,425	$2,439,078

Missouri Housing Development Commission

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2010

(In Thousands)

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Operating Revenues				
Interest and investment income				
Income – mortgage investments	$ 5,828	$ 10,994	$ 63,769	$ 80,591
Income – investments	6,307	499	2,258	9,064
Net increase in fair value of investments	1,069	231	49,774	51,074
Total interest and investment income	13,204	11,724	115,801	140,729
Administration fees	7,025	-	-	7,025
Other income	6,793	73	6,014	12,880
Federal program income	166,525	-	-	166,525
Total operating revenues	193,547	11,797	121,815	327,159
Operating Expenses				
Interest expense on bonds	97	9,132	61,618	70,847
Bond debt expense	66	121	259	446
Compensation	9,163	-	-	9,163
General and administrative expenses	4,390	-	-	4,390
Provision for loan and real estate owned losses	1,358	-	-	1,358
Rent and other subsidy payments	3,242	-	-	3,242
Housing Trust Fund grants	4,085	-	-	4,085
Federal program expenses	146,471	-	-	146,471
Total operating expenses	168,872	9,253	61,877	240,002
Change in Net Assets	24,675	2,544	59,938	87,157
Net Assets, Beginning of Year	422,833	24,537	107,946	555,316
Interfund Transfers	1,079	(1,050)	(29)	-
Net Assets, End of Year	$ 448,587	$ 26,031	$ 167,855	$ 642,473